

Legislative Analysis



Nursing Home and Hospital QAAP

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Senate Bill 1467

Sponsor: Sen. Deb Cherry

Committee: Appropriations

First Analysis (December 4, 2006)

BRIEF SUMMARY: SB 1467 would amend the Public Health Code to update provisions related to the quality assurance assessment program (QAAP) for nursing homes and hospitals. The health care provider assessments were implemented in 2002 to finance Medicaid payment rate increases to the affected providers and offset State GF/GP costs for the program.

The bill would authorize the appropriation of \$39.9 million from the FY 2005-06 Nursing Home QAAP to replace GF/GP revenue, and would continue this amount in FY 2006-07. The bill would also increase the amount of GF/GP revenue that can be retained by the State from the hospital QAAP revenue to \$46.4 million in FY 2005-06, and to \$66.4 million in FY 2006-07. These proposed changes are consistent with the funding levels appropriated in the Department of Community Health Budget for both fiscal years.

FISCAL IMPACT: Michigan established the quality assurance assessment programs as a means to provide Medicaid rate increases for hospitals, nursing homes, and managed care organizations and leverage additional federal Medicaid matching funds. Under the QAAP, a tax is imposed by the State on a broad class of health care providers and the revenues are appropriated in the Department of Community Health budget to finance increases in the payment rates for Medicaid funded services. Because the state funds allocated in this manner qualify for federal Medicaid matching funds, the Medicaid reimbursement increase provided exceeds the total amount of revenue collected through the assessment.

The financial impact of the QAAP varies for each health care organization or facility based on the volume of Medicaid services it provides. Those that serve a high volume of Medicaid patients receive the most benefit while those that provide a smaller percentage of Medicaid services, receive less benefit. For some health care providers at low levels of Medicaid participation, the assessment may be greater than the additional Medicaid reimbursement they receive.

Michigan also retains a portion of the QAAP revenue to offset State GF/GP that otherwise would be required to fund the Medicaid program. SB 1467 specifies that the amount retained from the nursing home QAAP will be \$39.9 million which is the amount reflected in the Department of Community Health budget for the current fiscal year as well as in FY 2005-06. For the hospital QAAP, the State would utilize \$46.4 million from the assessment in FY 2005-06, and \$66.4 million in FY 2006-07 to replace GF/GP expenditures for Medicaid.

Health care provider payment rates as well as the revenues generated from the quality assurance assessment programs, and the GF/GP savings have all grown since the inception of the QAAP in 2002. The additional funds for hospitals in FY 2006-07 will be allocated through health maintenance organizations serving the Medicaid population.

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